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CLOSER TO CRYPTO

QUARTERLY REPORT ON THE CRYPTOCURRENCY MARKET Q2/2023

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FOREWORD

In the second quarter of this year, cryptocurrencies and especially Bitcoin continued their upward trend and achieved interesting price appreciation, although the US Securities and Exchange Commission (SEC) has started to escalate its anti-crypto policy and accused several large crypto exchanges, including Binance or Coinbase, of violating securities laws and other misdeeds. Indeed, the US regulator's actions against the crypto sector have been intense in recent months, and some politicians in the United States are already calling for the removal of commission chairman Gary Gensler and calling for structural changes at the agency.

Even though the United States itself is throwing logs under its own feet and closing the door to such an innovative and progressive sector as the cryptocurrency sector, other countries are looking the other way. For example, the UK has only recently passed the Financial Services and Markets Act, which brings cryptocurrencies under the same rules that apply to traditional assets, and China's Hong Kong has reopened the doors to cryptocurrencies to investors after several years, with ambitions to become the largest crypto hub in the world.

However, the European Union has not been far behind in its adoption and efforts to address the unregulated nature of cryptocurrencies. In the second half of April, the European Parliament formally approved the Markets in Crypto Assets Regulation, known as MiCA (Markets in Crypto Assets), which introduces regulation of cryptocurrencies across the European Union. This regulation will allow central banks to license companies wishing to do business in cryptocurrencies while ensuring the safe and fair provision of crypto services.

The potential of cryptocurrencies as a store of value or a medium of exchange is slowly but surely being realized by the biggest players in the world of finance. In June, two of the three largest asset management companies in the world - BlackRock and Fidelity Investment - filed for spot ETFs in the U.S. They want to operate their own spot ETFs and bring cryptocurrencies closer to institutions that have so far shied away from investing in cryptocurrencies. It will be very interesting to see how the SEC, which has so far brushed aside all applications for spot ETFs without hesitation, responds to the applications.

However, changes have not only taken place everywhere in the world but also in Slovakia. After years of waiting, the Parliament has finally approved an amendment to the Income Tax Act, which introduces a time test for the tax on income from the sale of cryptocurrencies and completely abolishes the obligation to pay health levies on income from cryptocurrencies. Slovakia will thus once again appear on the imaginary crypto map and will be among the countries with one of the best set of cryptocurrency taxation legislation in the world.

Ing. Daniel Mitrovsky
Head of Crypto

SUMMARY

- During the second quarter, the price of Bitcoin increased by 8.47% from \$28,459 to \$30,880 as of June 30, 2023. The cryptocurrency Ethereum also experienced a similar price trend, rising by 4.47% to \$1,902 in the second quarter.
- The European Union opens the door to cryptocurrencies - the Markets in Crypto Assets (MiCA) regulation has been officially approved and published in the Journal of the European Union.
- The US Securities and Exchange Commission (SEC) has declared war on cryptocurrencies. It has charged the two largest crypto exchanges and designated more than 60 cryptocurrencies as securities.
- The issuer of the largest USDT Tether stablecoin is switching to the Bitcoin standard. It plans regular purchases of Bitcoin as well as its mining in Uruguay.
- Parliament voted to reduce the tax burden on the sale of cryptocurrencies in Slovakia. How did it turn out?
- Bitcoin is reaching new highs in multiple metrics. Both the hashrate and the number of daily transactions are rising, and the amount on exchanges is falling.
- Arbitrum has become the fourth largest blockchain in terms of total locked-in value (TVL) in the DeFi sector.
- Tether remains the largest stablecoin on the market, but BUSD and USDC have deteriorated significantly.

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MARKET OVERVIEW - SECOND QUARTER 2023

Bitcoin Price Development



Source: Messari

The second quarter of 2023 was marked by growth in the cryptocurrency market and renewed interest from both retail and institutional investors. The price of Bitcoin increased by 8.47% between the months of April and June from \$28,459 to \$30,880. Bitcoin reached its three-month high on June 23, when it traded at nearly \$31,389. Following the U.S. Securities and Exchange Commission (SEC) charges against Binance, the price of Bitcoin plunged to a three-month low of \$24,811.

Price Development of the Top 10 Altcoins

Of the top 10 altcoins (from which stablecoins were excluded), Tron (TRX) was the best-performing cryptocurrency during the first quarter, rising 14.2% over the three months. Litecoin (LTC) and Ethereum (ETH) cryptocurrencies were also in the black, rising by 4.8% and 3.5% respectively. You can see an overview of the performance of the top 10 altcoins between the months of April and June in the table below.

Cryptocurrency	Performance over the last three months
Ethereum (ETH)	+3.5%
BNB (BNB)	-24.3%
Ripple (XRP)	-6.3%
Cardano (ADA)	-26.2%
Dogecoin (DOGE)	-19.5%
Tron (TRX)	+14.2%
Solana (SOL)	-10.2%
Polygon (MATIC)	-40.8%
Litecoin (LTC)	+4.8%
Polkadot (DOT)	-19.3%

Source: own processing according to data from Coinmarketcap

Evolution of Cryptocurrency Market Capitalization

TOTAL MARKET CAP - Q2/2023

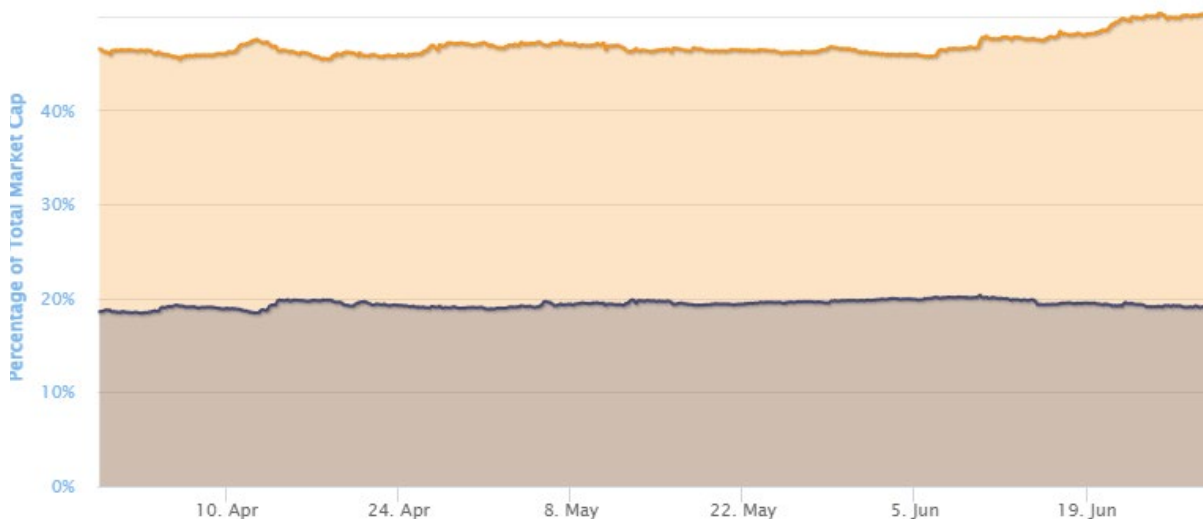


Source: [Coinmarketcap](#)

The market capitalization of the cryptocurrency market was \$1.18 trillion at the beginning of the third quarter. Following the growth in market capitalization in the first quarter, there was mostly a sideways movement during the months of April to June, and the market capitalization mostly oscillated between \$1 trillion and \$1.2 trillion. At the end of the first quarter, the total market capitalization was \$1.19 trillion.

Evolution of Market Dominance

Market Dominance: Bitcoin & Ethereum



Source: [Coinmarketcap](#)

Bitcoin and Ethereum cryptocurrencies continue to dominate the cryptocurrency market and together account for nearly 70% of the total market capitalization. Bitcoin's dominance increased by almost 4% during the second quarter and is currently hovering around 50.11%. Ethereum has also increased its market dominance over the past three months, increasing its dominance by 0.43% during the second quarter to 19% today.

HIGHLIGHTS FROM THE CRYPTO WORLD

Approval of the MiCA Regulatory Framework

In the second half of April, the European Parliament officially approved the MiCA (Markets in Crypto Assets) regulation, which introduces regulation of cryptocurrencies. This regulation allows central banks to license cryptocurrency businesses and ensure the security and fairness of the crypto services provided.

The approval and implementation of new cryptocurrency regulation in the European Union will entail a number of new rules and principles. The most important ones will concern entities that issue and trade cryptoassets (including reference asset tokens and e-money tokens). These entities will be obliged to implement new procedures and rules in order to increase transparency, disclosure of documents, authorisation or oversight of transactions. In the area of transparency, they will have to disclose all relevant information more clearly and clearly so that consumers are clearly and unambiguously informed about the risks, costs or fees associated with their operation.

In addition, the regulation will promote market integrity and financial stability by regulating public offerings of crypto-assets, where crypto-asset issuers will face much higher disclosure standards, including the obligation to publish a so-called Whitepaper (a document describing the technological and economic characteristics) for each asset. Issuers of stablecoins will also be subject to strict rules, for example, having to demonstrate that they hold sufficient and liquid reserves to back the stablecoin issued.

The regulatory framework also contains various measures against market manipulation and to prevent money laundering, terrorist financing and other criminal activities. To counter and combat the risks of money laundering, the European Securities and Markets Authority (ESMA) should establish a public register for non-compliant and unauthorized cryptoasset service providers operating in the European Union.

As cryptocurrencies have so far been perceived as unregulated assets in the European Union, banks and other financial institutions have preferred to avoid them. However, the approval and integration of appropriate regulation is likely to bring about a significant change in this area and the possible entry of banking players into this sector. Crypto companies wishing to do business in this area will need to apply for a license to operate and demonstrate not only capital readiness but also strict adherence to prudential principles.

Ethereum Shanghai Update

On the night of Tuesday, April 12, a long-awaited update to the Ethereum network called Shanghai was successfully integrated. This update triggered the ability to withdraw staked ETH from the protocol, fully completing the Ethereum network's transition to Proof-of-Stake.

The road to the Shanghai upgrade and the ETH stakeholder choice was long and full of trade-offs. Compromises were necessary, especially on the part of the Ethereum developers, who made several concessions just so that the update could be implemented as soon as possible. The Shanghai update was originally supposed to contain a number of other improvements, including the so-called proto-danksharding or a set of necessary updates for the Ethereum Virtual Machine (EVM). However, these enhancements have been removed from this update to ensure that ETH withdrawals are made available to users as soon as possible.

Immediately following the update, approximately 285 withdrawals were processed in an epoch of 194,408 amounting to approximately 5,413 ETH (roughly \$10 million at the time). However, data from analytics platform CryptoQuant shows that the number of ETH staked is continuously growing. Currently nearly 19.8 million ETH are already staked, more than 16% of the total circulating ETH inventory.

SEC Declares War on Cryptocurrencies

The US Securities and Exchange Commission (SEC) has decided to make life unpleasant for crypto exchanges operating in the United States and has declared an indirect war on them. And although the SEC has been trying to make it difficult for them to do business for several months, in June, the SEC's attacks took on a new dimension.

In the first half of June, over the course of two days, the US Securities and Exchange Commission charged crypto exchanges Binance and Coinbase with knowingly violating securities laws aimed at protecting investors. Binance and Coinbase are the two largest crypto exchanges operating in the United States.

Binance and its founder, known as „CZ“, have been charged with up to 13 counts of unregistered offerings and sales of BNB and BUSD (stablecoin BinanceUSD) cryptocurrencies, offering unapproved Simple Earn or BNB Vault products, and providing staking services. The crypto exchange has also been accused of offering US consumers the ability to trade many cryptocurrencies that the SEC views as securities.

To make matters worse, just a day after the charges were brought against Binance, crypto exchange Coinbase came under fire, accused by the SEC of allowing trading in cryptoassets that the SEC views as securities. The SEC also accused Coinbase of offering clients the option of staking and that it has been operating as an unregistered exchange since at least 2019, according to its findings. The U.S. Commission's Twitter account immediately came under a wave of criticism, as investors cannot explain how it is possible that the SEC believes Coinbase has operated as an unregistered exchange so far, given that the SEC personally reviewed its business in 2021 and allowed it to become a publicly traded company through an initial public offering (IPO).

It is somewhat sad that the ongoing anti-crypto campaign in the United States is eliminating the US technological and innovation potential in this area. However, not everyone is happy with this anti-crypto campaign. Two US Republican members of the House of Representatives have even called for the immediate removal of the current SEC chairman, Gary Gensler. The Members have introduced a bill that cites mismanagement as the reason for the need for a comprehensive restructuring of the agency.

Senator Cynthia Lummis also reiterated the need for a positive regulatory framework for cryptocurrencies, which she believes should be developed and adopted as soon as possible. Working with Senator Kirsten Gillibrand, Cynthia Lummis is spearheading an initiative to create comprehensive regulations for digital assets in the United States.

Tether Switches to Bitcoin Standard

The issuer of the largest stablecoin on the market, Tether, which has a controversial past, has decided to switch to the so-called Bitcoin standard. After the company announced that it was starting to use some of its profits to buy BTC on a regular basis and that it already holds over \$1.5 billion in BTC, the company came up with a new initiative regarding Bitcoin mining in late May.

In a statement, Tether revealed plans related to investing in „sustainable Bitcoin mining operations“ in the South American country of Uruguay, where it will partner with a licensed company.

Uruguay may seem like an unusual choice to many at first glance - and that's because Uruguay's share of the total hashrate is truly insignificant compared to the USA or Kazakhstan. However, Uruguay generates more than 98% of its electricity from renewable sources - mainly wind and hydropower. And this is why Tether believes that there is a huge opportunity in this country to start environmentally friendly mining directly from renewable sources.

„Our unwavering commitment to renewable energy ensures that every bitcoin we mine leaves a minimal ecological footprint while maintaining the security and integrity of the Bitcoin network,“ Tether Chief Technology Officer Paolo Ardoio said in a press release.

However, it is not yet clear how much Tether plans to invest in the new business, and the company has also not yet disclosed the name of its partner in the region. However, Tether's support of Bitcoin and organic mining is a significant step forward from Tether, which has a very controversial past, especially in relation to the issuance and backing of the USDT stablecoin.

The Ledger's Huge PR Disaster

Ledger, the most popular manufacturer and retailer of hardware non-custodial wallets, went through a really tough time in the second quarter. After announcing its plan to introduce a new service called „Ledger Recover“ to help users recover their seed phrase in case users lose or forget it, a huge wave of criticism was unleashed on Ledger.

The Ledger Recover service was to operate on a subscription basis, allowing users to back up their seed phrase so that they could restore it if needed. According to the information available, Ledger was to effectively extract the seed phrase and split it into three parts - one part would be stored directly by Ledger, the second part would be stored by Coincover and the third part would be handled by Escrotech. Thus, if a user lost access to their hardware wallet, two of the three custodians could join forces and restore access to the wallet.

The information that Ledger even has the ability to get to the seeds of hardware wallets has raised a huge number of questions. The backlash from the crypto community started to spread very quickly, as hardware wallets are generally supposed to offer a solution in which no one else but you has access to your wallet.

After the amount of criticism received, Ledger decided to temporarily delay the launch of this new service. It is not yet clear how Ledger will recover from this PR disaster and whether it will be able to rebuild trust, as the brand's name has been severely damaged by this functionality. This is confirmed by the fact that according to a press release published by Ledger's biggest competitor, Trezor, sales of hardware Trezor wallets increased by up to 900% in one week. In contrast to Ledger, the software code of Trezor wallets is completely open-source, so users themselves can see exactly how Trezor works. However, Ledger's code is not open-source, which has been the target of criticism in the past, and this new functionality has added more fuel to the fire and stirred up debates about whether it is safe to keep your funds on Ledger's hardware wallets.

CRYPTOCURRENCIES AND THE WORLD OF TRADITIONAL FINANCE

First Republic Bank's April Crash

The March banking crisis, which saw the collapse of three US and one Swiss bank, shook the entire financial world. And although it seemed that the crisis had been resolved in the first quarter and that everything would gradually return to normal, the opposite was true.

At the end of April, another medium-sized bank called First Republic Bank joined the ranks of the failed banks, and its collapse showed that the current financial system is very fragile and vulnerable due to the impact of high interest rates and quantitative tightening.

In the early hours of the first day of May, regulators shut down the notorious First Republic Bank, whose collapse became the second-largest bank failure in US history. All deposits and most assets were sold to what is now the largest US bank, JPMorgan Chase, which also took over all First Republic branches and reopened them under its own brand.

In all, as many as 84 branches were opened a few days later as branches of JP Morgan Chase, which gained \$92 billion in deposits and \$203 billion in loans and other securities by acquiring the bank.

In a conference call with reporters and investors, Jamie Dimon, CEO of JPMorgan Chase, said he believes the banking crisis is at least temporarily over at this point. In fact, other mid-sized banks released their results last week, and the vast majority of them showed that deposit levels at those banks had stabilized.

While it was still operating under the recovery plan, the bank planned to sell off its unprofitable assets, including the low-interest mortgages it provided to wealthy clients. It also announced plans to lay off up to a quarter of its workforce, which totalled up to 7,200 employees at the end of the year. However, these steps proved to be both insufficient and too late.

First Republic is the third medium-sized bank to fail in the last two months. The bank's collapse ranks second in terms of historical size, just behind that of Washington Mutual, which collapsed at the height of the financial crisis in 2008. Just like in 2008, the bank was taken over by JP Morgan in a government-organized deal.

BlackRock Has Applied to Create a Spot ETF

In mid-June, BlackRock, the world's largest institutional asset manager, jumped into the race to launch the first bitcoin spot exchange-traded fund (ETF) in the United States.

BlackRock has already officially applied to create an exchange-traded fund (ETF) based on the largest cryptocurrency on the market, Bitcoin. The chances of it being created and launching the first-ever spot Bitcoin ETF are high this time around, according to experts, as BlackRock is the largest institutional asset manager in the world with a well-established name and well-functioning relationships with regulators.

The proposed ETF, called BlackRock's iShares Bitcoin Trust, would use the asset custody services of crypto exchange Coinbase, according to information available in a filing with the US Securities and Exchange Commission (SEC). The trust is intended to remove the hurdles associated with the complexity and operational burdens associated with direct investment in BTC.

However, the SEC has not yet approved any spot ETF based on Bitcoin, although several applicants have tried to create one. One of the rejected applications belonged to Grayscale, which sued the SEC in the Court of Appeals, believing that the Commission had improperly failed to approve its spot ETF.

Blackrock's request comes at a time when the cryptocurrency industry, particularly in the United States, has come under tremendous pressure. Just a few weeks ago, the US regulator SEC sued the two largest crypto exchanges Binance and Coinbase for violating securities laws, only confirming that its anti-crypto campaign in the US is far from over. However, if the world's largest asset manager manages to get a spot ETF approved, it could mark a significant step forward for the entire US crypto market, which could attract a huge number of institutional investors to the cryptocurrency sector.

Act on Taxation of Cryptocurrencies in Slovakia

Cryptocurrency users have been waiting impatiently for the last few years for any change regarding the taxation of virtual assets in Slovakia. For many years, Slovakia has been one of the countries with very poorly set legislation in the field of taxation and in this statistic it was among the worst countries in the world.

However, that is about to change. On Wednesday last July, the deputies of the National Council of the Slovak Republic approved an amendment to the Income Tax Act, which includes a reduction of the tax burden on the sale of virtual currencies. Out of 142 voting MPs, 112 voted in favor, with only two against and 28 abstentions.

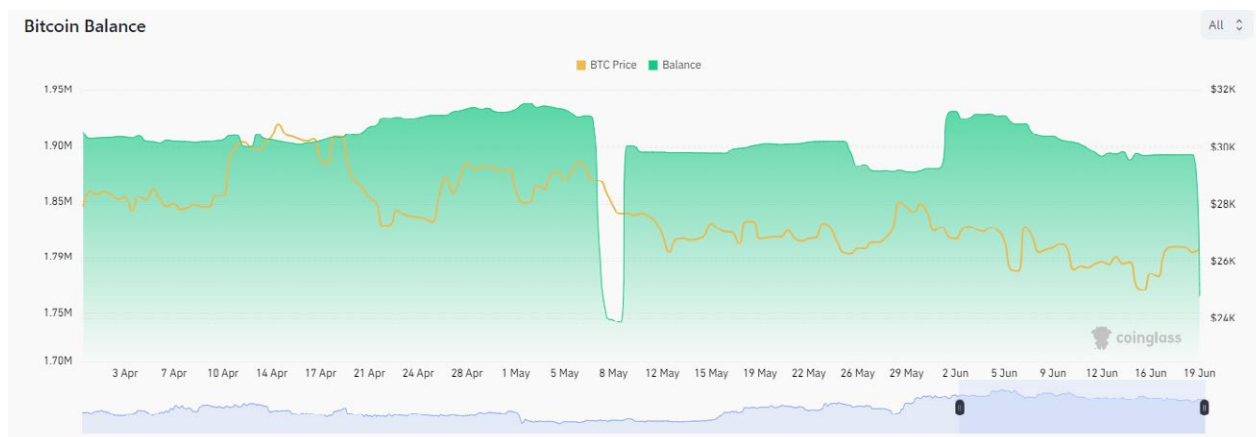
The change in legislation in this area will bring some significant changes:

- **Introduction of a time test:** a so-called „time test“ will now apply to the sale of cryptocurrencies. This means that if you sell your cryptocurrencies after one year from the date of purchase, your income will be taxed at a lower rate of 7%. However, if you sell them within a year, the income from the sale will be included in your tax base along with your other income.
- **Exchange of cryptocurrencies:** the sale of cryptocurrencies will only be taxed if the sale occurs within one year of purchase or if the cryptocurrency is exchanged for a stablecoin. If you sell a cryptocurrency after more than one year, the income will be included in a separate tax base.
- **Cryptocurrencies and taxes:** the income from the sale of a cryptocurrency that you have earned by mining or staking will only be included in your tax base when you sell it. And guess what - exchanging one cryptocurrency for another (except stablecoins) will no longer be taxed!
- **Exchanging cryptocurrencies for assets or services:** if you exchange your cryptocurrency for assets or services, an income of up to €2,400 per year will not be taxed. So if you plan to pay for your coffee or lunch with cryptocurrency, you don't have to worry about taxes!
- **Exemption from health insurance contributions:** natural persons will be exempted from paying health insurance contributions on income from the sale of cryptocurrencies if the cryptocurrency was not part of their business assets. Until now, individuals were required to pay a 14% health levy on the sale of virtual currencies, but this will be a thing of the past once the law enters into force.

The approved law is currently awaiting the President's signature and should enter into force on 1 January 2024. If the law is put into practice, Slovakia will be among the countries with the best tax and tax legislation in the field of cryptocurrencies.

ON-CHAIN DATA

BTC - Balance on Exchanges













Source: Coinglass

The total number of Bitcoins on exchanges has fallen 7.8% over the past three months from March's 1.92 million BTC to June's 1.77 million, according to analytics platform Coinglass. The decline in the amount of bitcoins held on exchanges was a natural reaction to the current developments in the crypto sector, where due to uncertainty many entities are shifting their assets to hardware wallets.

The main reason for the outflow of BTC from the exchanges is the uncertainty surrounding the crypto exchanges Binance and Coinbase, which have been accused by the SEC in the United States of violating the Securities Act and other violations. This is also the reason why as many as 44,742 BTC worth more than \$1.1 billion have left the Binance crypto exchange in the last 30 days. However, the outflow of BTC from exchanges is considered a positive signal that reduces the amount of BTC available for sale. The highest amount of Bitcoins is currently stored on the crypto exchange Binance, followed by Coinbase and Bitfinex.

Bitcoin Exchange Balance

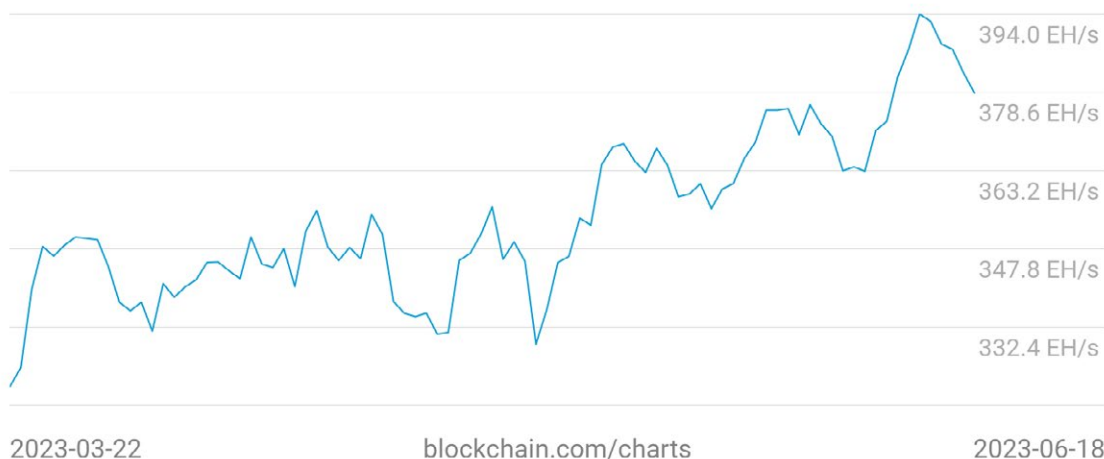
Ranking	Exchanges	Balance	24h Change	7d Change	30d Change
1	 Binance	510,425.86	-2601.29	-5617.00	-44742.28
2	 Coinbase Pro	486,568.03	91.12	736.53	147.14
3	 Bitfinex	354,598.73	-498.99	-1483.97	-2695.74
4	 Gemini	126,034.52	94.96	-830.35	34168.02
5	 OKX	122,651.49	-4432.61	-8539.09	3386.07
6	 Kraken	56,586.42	589.10	2083.14	-3195.06
7	 bitFlyer	53,706.90	-22.34	107.13	24.37
8	 Bitmex	46,787.24	-5.92	-74.64	-1117.33
9	 Bybit	31,842.64	-178.46	1504.33	4457.28
10	 Huobi	18,294.70	-50.66	36.36	-11218.77

Source: Coinglass

BTC - Network Computing Power

Hash Rate

378.5 EH/s



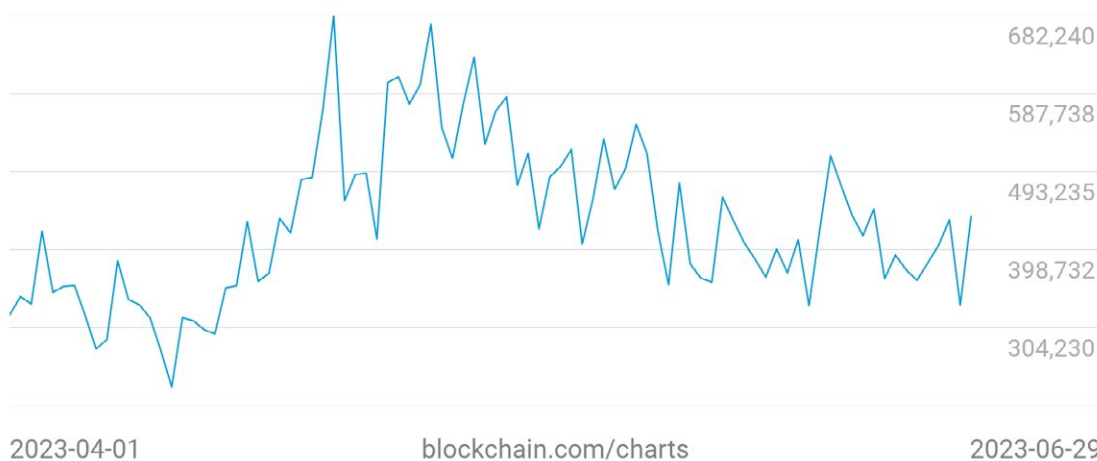
Source: [Blockchain.com](https://blockchain.com)

The overall computing power of the Bitcoin network continued to grow during the second quarter, indicating a steadily increasing interest in mining ahead of the upcoming halving, which is expected to take place in April next year. The Bitcoin network's hashrate has increased by 15% since March from 328 EH/s to 378 EH/s, despite the cryptocurrency market consolidating in recent months. However, experts see this period as one of a kind of accumulation by both small and large investors. It should be added that the greater the computing power of the network, the more secure and resistant to attack the network is. In this respect, Bitcoin is thus more secure than ever.

BTC - Number of Daily Transactions

Confirmed Transactions Per Day

438,193

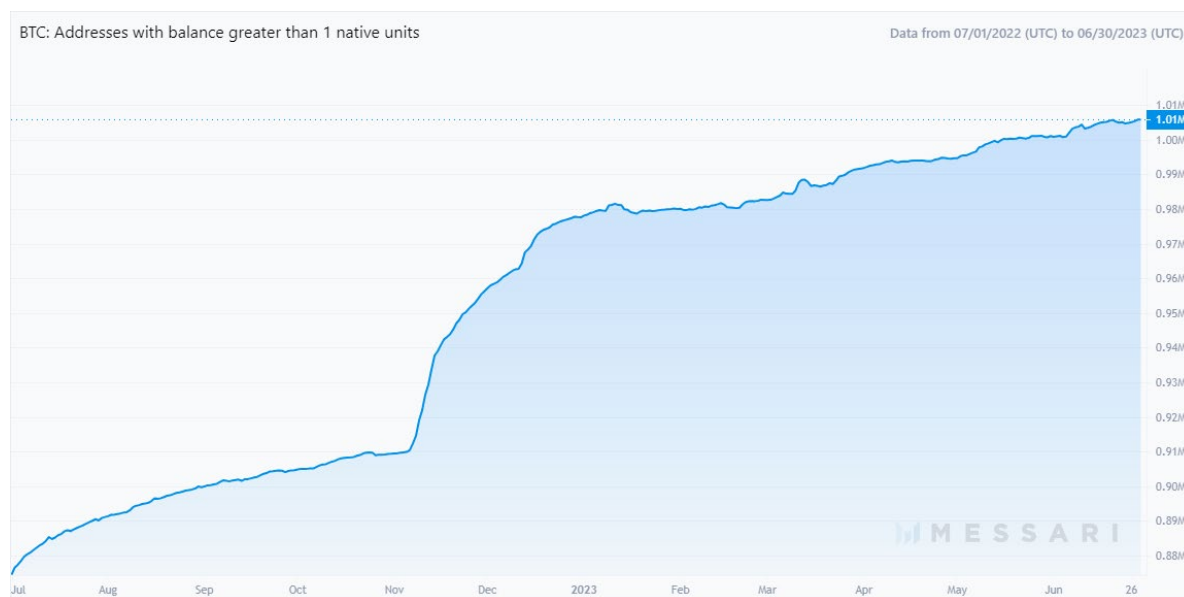


Source: [Blockchain.com](https://blockchain.com)

The total number of transactions confirmed per day on the Bitcoin network in the third quarter oscillated between 300 and 700 thousand transactions per day. On the first day of May, the Bitcoin network also set a new record for the entire 14-year history of Bitcoin, in which as many as 682 thousand transactions were processed in a single day.

The so-called Bitcoin Ordinals had a significant share in this record, as more than 372 thousand inscriptions were created on the Bitcoin network on this day. These inscriptions are considered to be a kind of „NFTs on Bitcoin“, as they allow users to embed inscriptions, images or other data directly into the smallest units of bitcoin currency, referred to as satoshi. The huge hype around the BRC-20 token standard, which allows tokens and meme coins to be minted directly on Bitcoin, has also played a significant part in the growth of transactions on the Bitcoin network. The growth in the amount of transactions related to Ordinals and BRC-20 tokens signals a strong demand for block space on the Bitcoin network, which may be critical to Bitcoin's long-term success.

BTC - Amount of Addresses With More Than 1 BTC



Source: Messari

The total number of addresses with more than 1 BTC crossed the significant milestone of 1 million during May. As the price of BTC has declined significantly over the past year, the accumulation of investors as prices have fallen has been significant. Investors accumulated Bitcoin most significantly over the past year following the bankruptcy of the FTX crypto exchange. In the third quarter, this trend continued, and the number of addresses with more than 1 BTC increased by 1.65% from 984 thousand addresses to 1,005,000 addresses.

Although the round number of 1 million addresses represents a very important historical milestone, it should be emphasized that one bitcoin wallet address does not always represent one person. In practice, many crypto investors have multiple bitcoin wallets, and also many wallets belong to major institutions, such as crypto exchanges or investment firms, which usually own a number of addresses where they pool their clients' funds.

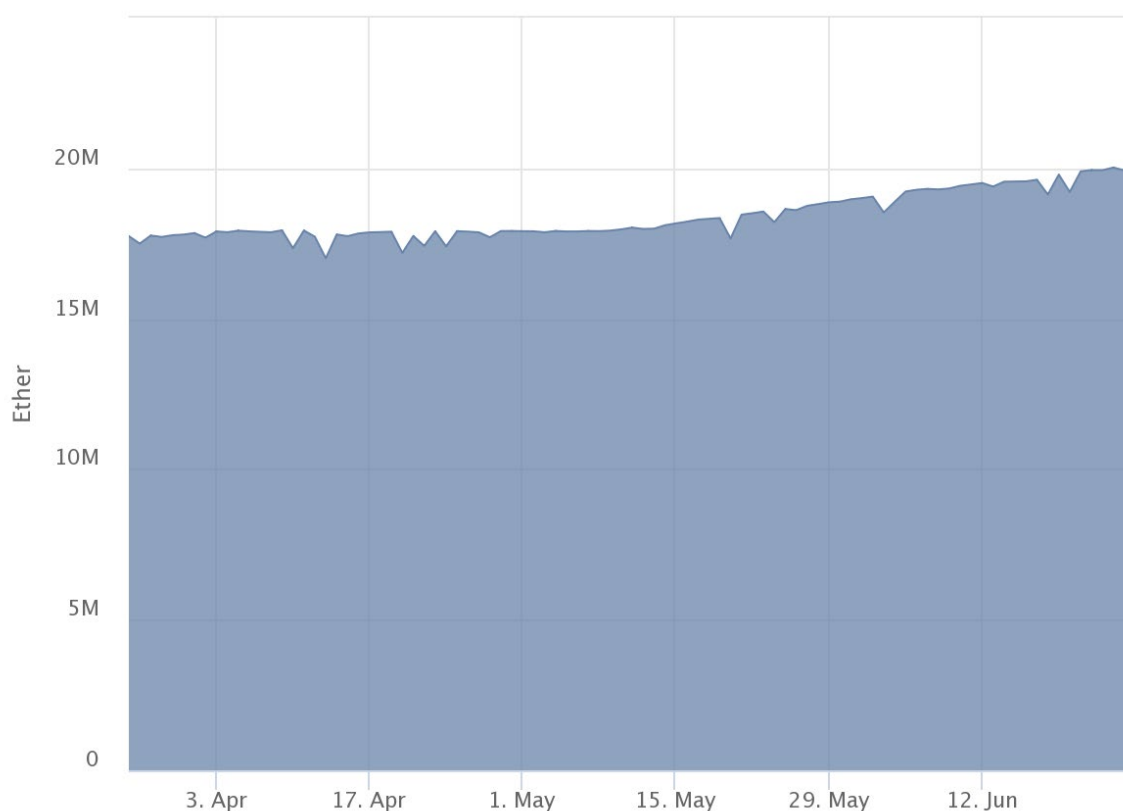
ETH - Average Transaction Fee



Source: Etherscan

Blockchain Ethereum saw a meteoric rise in average transaction fees during the price spike in early May when the price of Ethereum soared to the \$2,000 mark. This rise attracted increased attention from users, which in turn led to more interaction on the network and thus a rise in fees. However, there has been a significant drop in fees since this period, which may indicate less activity on this blockchain. Lower fees also open up opportunities for affordable use of the network. At the end of June, the average transaction fee was around \$7.3.

ETH - Number of ETH Staked



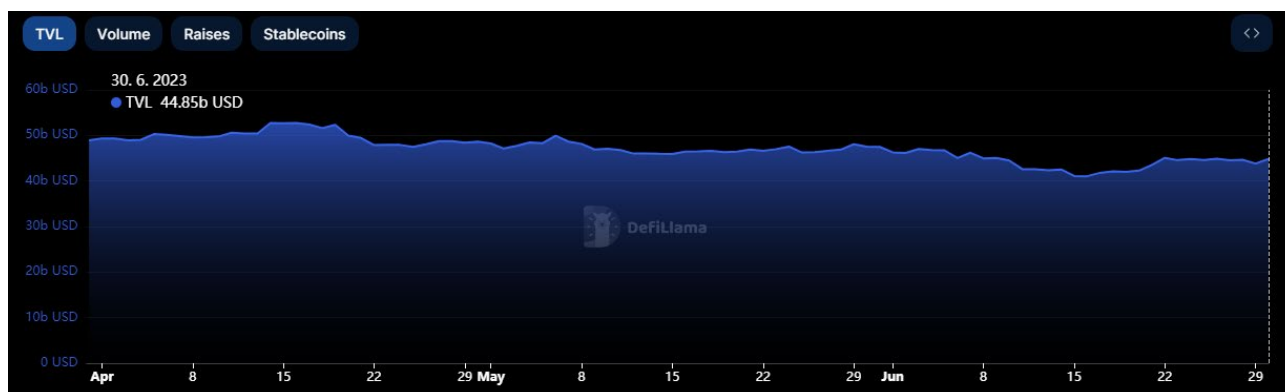
Source: BeaconScan

Ethereum has reached another significant milestone, with more than 20 million ETHs in total already represented on the network. During the second quarter, the amount of ETH pledged grew by 13% from 17.7 million in April to 20.1 million recorded at the end of June. The total circulating stock of ETH is now 120.2 million, which means that roughly 16.7% of the total circulating stock has been substituted. It is true that the more users stake their ETH, the more secure the Ethereum blockchain becomes. Staking also allows users to generate rewards from staking, which range between 3-5% per year.

DEFI

Total Value Locked (TVL)

If you've ever used analytics tools to track key metrics from the DeFi sector, you've likely come across the Total Locked Value (TVL) indicator, which is considered a benchmark for industry trends. Simply put, the total locked value of assets represents the number of assets that are being put into various protocols as part of DeFi activities. The TVL includes all assets held in all functionalities offered by DeFi protocols, including deposits, loans or liquidity funds.



Source: DefiLlama

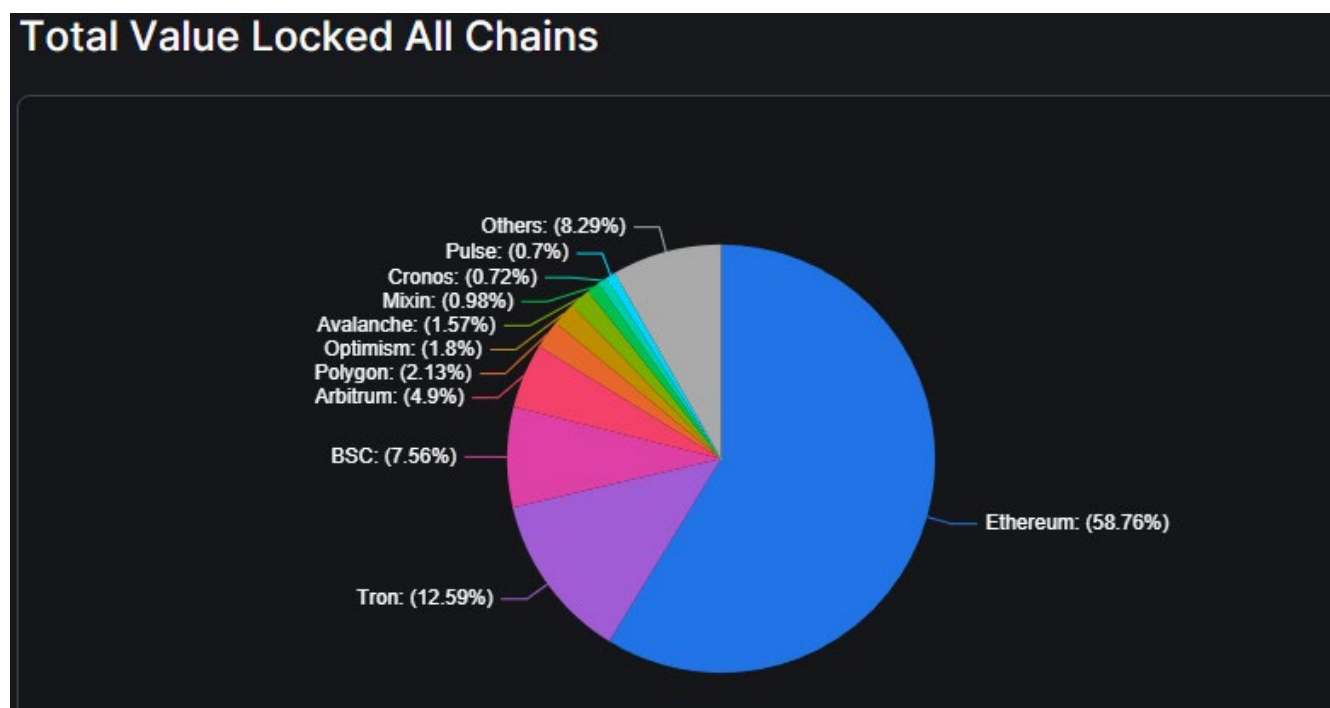
The total value locked up in the DeFi sector during the second quarter fell from the \$49 billion recorded at the end of May 2023 to approximately \$45 billion at the end of June. The largest network, according to TVL, is currently Ethereum, which has 26 billion in locked funds with a market share of 58.75%. In second place in terms of TVL is the Tron network, on which \$5.6 billion is locked with a market share of 12.5%. Rounding out the top three is Binance Smart Chain with a TVL of \$3.38 billion and a market share of 7.56%.

In terms of total locked-in value on individual DeFi protocols, Lido, focused on providing liquid staking services, remains the largest protocol. The Lido protocol currently has a total of \$14 billion locked up on five different blockchains. The market capitalization of the Lido DAO is currently just \$1.7 billion and the MCAP/TVL ratio is hovering around 0.12. In second place in terms of TVL is the Maker protocol, which has \$6.25 billion locked up. The top three are rounded out by the Aave lending protocol with a TVL of \$5.59 billion.

Selection From DeFi - Arbitrum

Arbitrum is a second-layer scaling solution built on top of the Ethereum blockchain that enables faster transactions at lower transaction costs.

Layer 2 solutions improve the scalability of the underlying blockchain (layer 1) by delegating complex computational tasks, such as transaction processing and data storage, to the second chain. Arbitrum solves the problems of the Ethereum blockchain by transferring transaction files outside the Ethereum network and then verifying them faster and cheaper at the secondary layer. These files are called rollups, and the technology Arbitrum uses is named after them.



Source: DefiLlama

According to the DefiLlama website, Arbitrum is currently the fourth largest ecosystem in the DeFi sector, with a total locked-in value of \$2.18 billion and a market share of 4.9%. The number of unique addresses in the Arbitrum network has increased 300% since the beginning of 2023 from the original 2.3 million addresses to the current 9.22 million. The 30-day average of daily active users on the Arbitrum network is around 176 thousand.

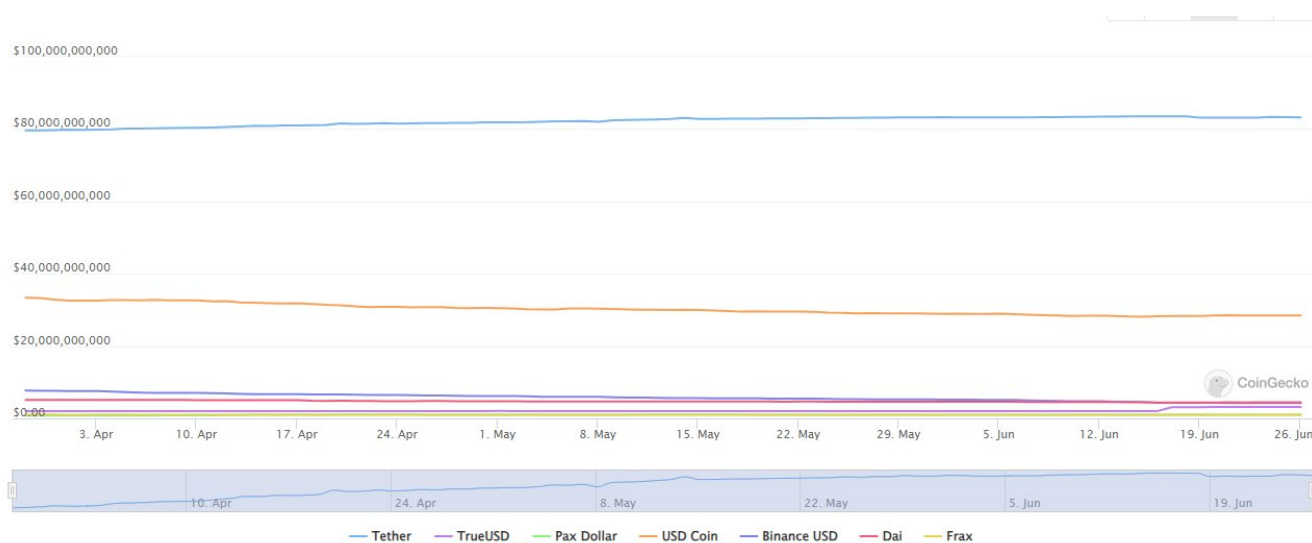
The largest application on the Arbitrum network is GMX with a TVL of \$550 million. GMX is a decentralized spot and perpetual exchange that allows users to trade cryptocurrencies like Bitcoin or Ethereum directly from their crypto wallets. In addition to the fact that users can swap (exchange) different cryptocurrencies with each other on this exchange, it is also possible to trade so-called perpetual futures (futures contracts without expiration) on GMX with up to 50x leverage. Leveraged trading is mostly associated with centralized exchanges, but GMX allows this kind of trading in a decentralized way, directly from its crypto wallets without the need to interact with an exchange. GMX aims to provide users with the ideal user experience for low-fee, zero-price impact trades.

The second largest application in the Arbitrum network is the decentralized exchange Uniswap, with a total locked-in value of \$287 million. In third place is lending protocol Radiant with a TVL of \$187 million.

Stablecoins and DeFi

The largest stablecoin in the cryptocurrency sector continues to be Tether (USDT) with a market capitalization of \$83 billion. Tether’s capitalization has increased by 3.75% since the beginning of April this year. A smaller decline in Tether’s capitalization occurred during the 15. And 16. June, when the imbalance of stablecoins on the decentralized Curve exchange caused Tether to get a subtle push and its price fell from \$1.00 to approximately \$0.9959. This drop caused Tether’s market capitalization to plummet by over \$400 million, but Tether quickly recovered from this event and everything went back to the way it was.

The second largest stablecoin remains Circle’s USDC stablecoin, with a market capitalization of \$28.4 billion. However, USDC’s market capitalization fell by as much as 12% during the second quarter, as USDC’s market capitalization stood at \$32.5 billion as recently as the beginning of April. USDC’s market capitalization thus reached an 18-month low.



Source: Coingecko

Similar fate as USDC is currently experiencing a stablecoin BUSD, whose market capitalization has fallen to a 23-month low and is hovering around the level of \$4.2 billion. BUSD has lost up to 44% of its market capitalization during this quarter. The situation with Paxos, the issuer of the stablecoin, which has come under attack from the New York State Treasury Department, has contributed to BUSD’s decline. Paxos subsequently announced that it would stop issuing new BUSD tokens in response to the allegations made by the Treasury. The situation was not helped by the SEC’s charges against Binance, which accused the crypto exchange of violating securities laws.

Will SEC Actions Against Crypto Exchanges Help the DeFi Sector?

Lawsuits by the US Securities and Exchange Commission (SEC) against two leading centralized crypto exchanges, Binance and Coinbase, have led to a sharp increase in trading volume in the DeFi sector.

Median trading volume across the three largest decentralized exchanges (DEX) rose by a staggering 444% in the 48 hours following the indictments. According to aggregate data from the CoinGecko platform, total daily trading volumes on the decentralized exchanges Uniswap v3 (Ethereum), Uniswap v3 (Arbitrum), and PancakeSwap v3 (BNB Smart Chain), which account for 53% of the total trading volume on DEX, increased by more than \$792 million between June 5 and June 7.

However, whether the DeFi sector will benefit in the long term from lawsuits and allegations brought against centralized entities is questionable. However, this thesis is supported by the long-term outflow and decline of BTC or ETH from centralized exchanges as investors move their assets away from centralized entities and into their own wallets through which they can access DeFi services.

Stablecoin USDC Expands on Arbitrum

Circle recently announced plans to launch a new native version of its USD Coin (USDC) stablecoin on the Arbitrum network.

According to the information available from the blog post, Circle will replace the existing version of USD Coin running on the Ethereum network, which has been bridged to the Arbitrum network so far, directly with the native USDC token created on the Arbitrum network.

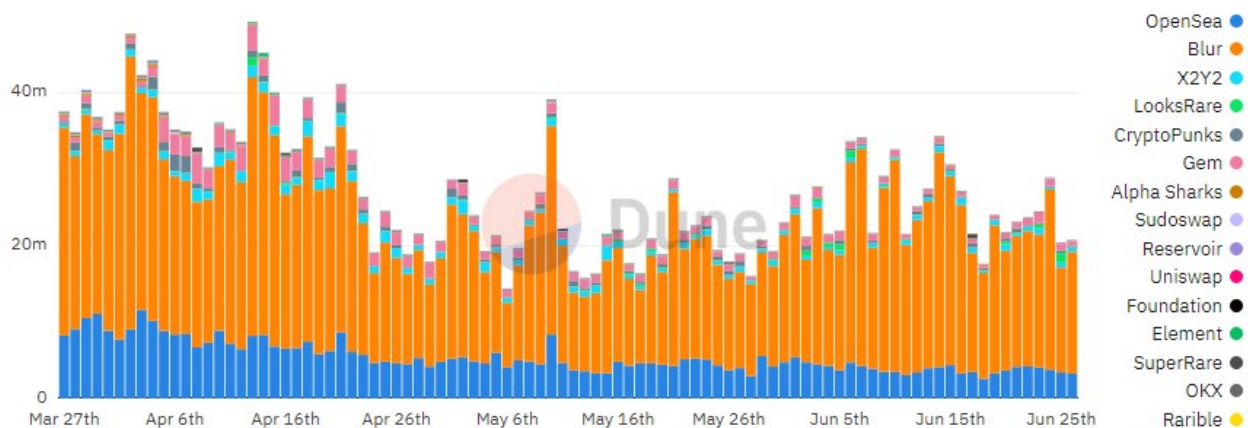
The goal of this effort, according to Circle, is to speed up transactions using protocols referred to as cross-chain transfer protocols (CCTPs). CCTPs are protocols that handle the transfer of assets between blockchains and allow users to pool liquidity.

NFT & METaverse

Comparison of Daily Volumes on NFT Marketplaces

Daily Volume

Past 3 Months, by Source



Source: Footprint Analytics

The NFT market has shown no signs of renewed optimism over the past three months. The NFT market currently has a market capitalization of approximately \$20 billion, with approximately 30,000 unique users interacting with the market daily. The cumulative daily trading volume on the top 15 NFT marketplaces was mostly in the range of \$15 to \$40 million.

Non-fungible token trading (NFTS) has been dominated by the two most well-known marketplaces - Blur and Opensea - over the past three months. Blur has gained a lot of popularity mainly due to its zero licensing fees and also interesting airdrops that catapulted Blur to the forefront and left competitors behind.

On the other hand, the very popular OpenSea marketplace, which has long been considered a leader in NFT marketplaces, is currently facing a very uphill battle to maintain its relevance. OpenSea has probably hesitated for too long to reduce its licensing fees for creators of digital collections. Even though they eventually took this step, it was probably too late, as a number of users had already changed their preferred marketplace and moved to the Blur platform.

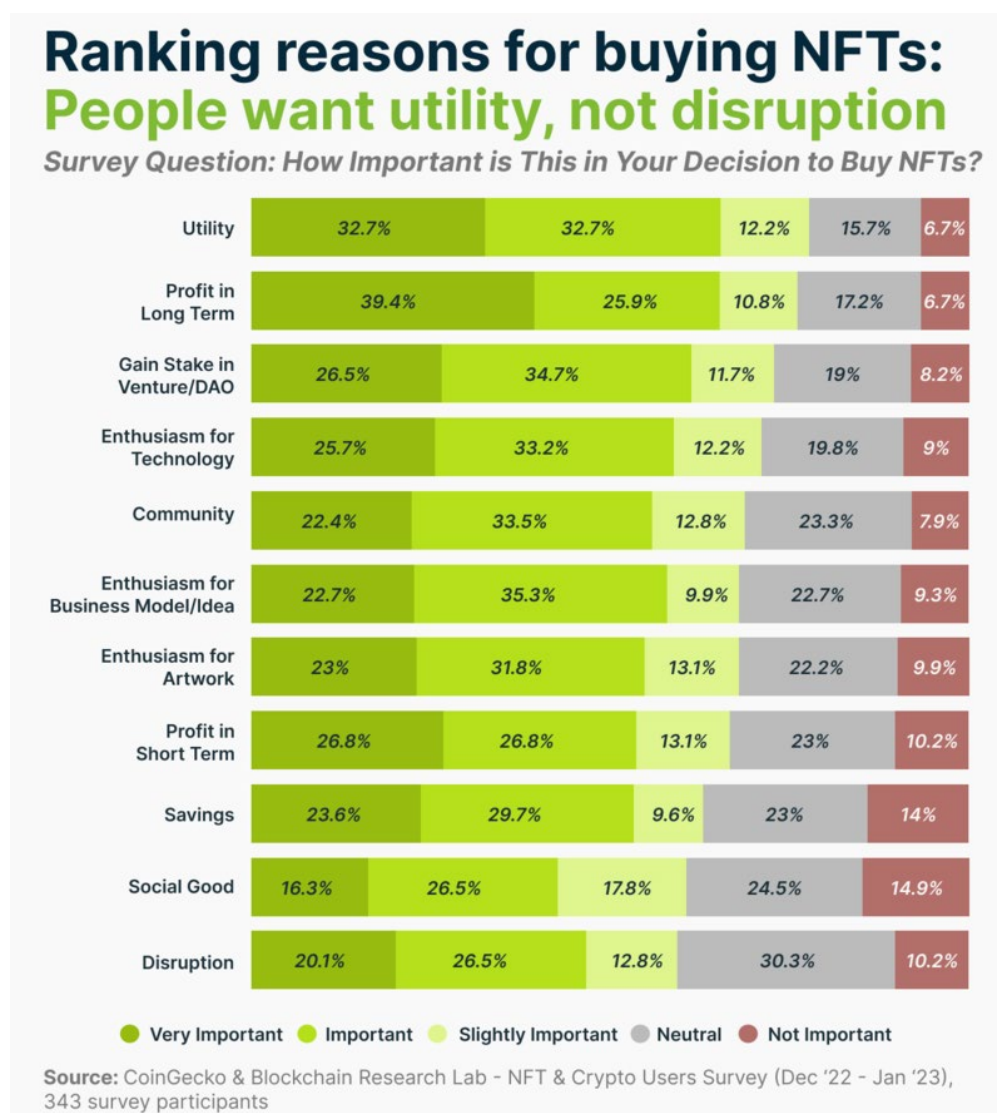
Survey: Why Do People Buy NFTs?

Price tracking platform Coingecko, in collaboration with analytics firm Blockchain Research Lab, published a survey in mid-June on why people buy NFTs and what they base their decisions on when choosing NFTs. The survey yielded very interesting results.

Even though people buy NFTs for a variety of reasons, the usefulness of NFTs has proven to be the most important motivation for someone to purchase NFTs. According to the survey, as many as 3 out of 4 NFT holders consider what utility a collection offers or what benefits they can gain from owning it before making a purchase. Investors want their NFTs to have as many use cases as possible and not just be a sort of collector's item that has no use. Approximately 15.7% of holders of NFTs stated that they are neutral about utility and 6.7% of holders believe that utility is not important at all for NFTs.

Users consider profit in the long run as the second most important factor when buying NFTs. As many as 3 out of 4 (76%) NFT holders surveyed only intend to sell their NFTs when their price will be higher than the price at which they bought them. Some 17.2% of NFTs holders said they are neutral about profiting from NFTs and 6.7% of them believe that profits on NFTs are not important.

The third most important factor in the decision to purchase NFTs is the acquisition of a stake in an organization or decentralized autonomous organization (DAO). As many as 72.9% of respondents said that an important factor in choosing an NFT was the opportunity to gain a stake in the structure and thus participate in voting on the future direction of the project. Overall, 19.0% of NFT holders are neutral towards active participation in projects and 8.2% do not consider it important.



Source: Coingecko

Fashion Giant Louis Vuitton Enters the World of Web3

The physical world is increasingly intertwined with the digital one, and major companies continue to expand their skills and innovate in order to discover new opportunities... The latest milestone of the so-called „phygital evolution“, which is the merging of the physical and digital worlds, comes from luxury brand Louis Vuitton. The French fashion giant has announced the launch of the VIA Treasure Trunk, a virtual representation of its iconic travel suitcase on the blockchain.

First launched in the mid-19th century, Louis Vuitton's famous suitcase has been using new materials and forms in its physical form for over 160 years. Handcrafted by artisans on the outskirts of Paris, France, each Louis Vuitton suitcase is a one-of-a-kind piece by the luxury brand.

And what about the transformation to the digital world? The Treasure Trunk provides access to Louis Vuitton's VIA portal, which opens the door to a world of digital collectibles. Louis Vuitton representatives said their first digital trunk is „designed for those who want to travel through new dreams and new realities.“ The VIA portal will act as a gateway where enthusiasts can get the key to unlock new designs from Louis Vuitton that no one has seen before. Each collectible from this collection represents a new step towards a phygital experience and will give buyers exclusive access to a new world of digital collections.

Each of the iconic virtual suitcases costs €39,000 and only a few hundred will be available for purchase. Anyone wanting to become a part had until June 8 to sign up for the waiting list via their crypto wallet, with those selected from the waiting list receiving a special invitation to access the VIA portal.

Thanks to the innovations and technological opportunities offered by Web3, the digital universe has become a kind of complement and expansion of the already existing physical world. The popular fashion house's step into the world of digital collectibles shows that Web3 has grown into a global trend that presents exciting interactions even for the high-end sector.

Is It Possible to Migrate My NFTs From the Ethereum Network to Bitcoin?

There is simply no denying the popularity of Bitcoin Ordinals, which allow decentralized storage of data in the form of inscriptions or images directly on the Bitcoin blockchain. The creation of so-called inscriptions that resemble NFTs on alternative blockchains has become highly sought-after and has driven fees on the Bitcoin network to enormous heights several times due to high demand.

The Ordinals continue their expansion as well. Thanks to a new standard called BRC-721E, owners of digital collections on the Ethereum network with the ERC-721 standard can migrate their immutable tokens directly to the Bitcoin blockchain.

The whole migration process starts with the burning of the non-fungible tokens (NFT) issued on the ERC-721 standard by the ETH call function. However, burning an NFT on the Ethereum blockchain is an irreversible process and acts as a method of writing directly to the blockchain. To invoke a burned NFT on the Ethereum network, the user must create an inception and write valid BRC-721E data, after which the bridge of that NFT will appear among the invocations on the Ordinals with complete metadata.

In this process, so-called indexers operate to check whether an NFT has indeed been burned on the Ethereum network to ensure that the token has no more than one valid entry and that the genesis address matches the burn data of that NFT.

However, when bridging NFTs to the Bitcoin blockchain, it is important to note that this is a one-way and irreversible process. Once a user burns their NFT on the Ethereum blockchain, they will not be able to get it back. Thus, these assets can be held and traded on the Bitcoin blockchain, but they cannot be returned to the Ethereum blockchain in their original form.

Donald Trump's Second NFT Collection

The second collection of non-fungible tokens (NFTs) associated with the name and image of former United States President Donald Trump sold out within 24 hours of the start of the sale.

Trump's second NFT collection contained a total of 47,000 digital collectibles priced at \$99 apiece, generating more than \$4.65 million in sales revenue for its creators. On the OpenSea secondary market, the collection, titled „*Trump Digital Trading Cards Series 2*,“ achieved trading volumes of up to 1,450 ETH (over \$2.5 million) within two months.

Trump NFT uses the „*name, likeness and image*“ of the former President under a paid license, but is not owned, directed or controlled by Donald J. Trump. Users of these NFTs can collect either digital collectibles or so-called trading cards. Owners of these NFTs are promised one ticket to a gala dinner with Donald Trump in South Florida if they own at least 47 digital trading cards or 100 traditional NFTs.

Trump's collection could be purchased via credit card or a tokenized version of Wrapped Ether (wETH). In addition, users were required to go through KYC (Know-Your-Customer) verification, even if they were paying with cryptocurrency to acquire the collectibles. Before paying, users were presented with the option of setting up a Torus crypto wallet on which they could directly hold the iconic Trump NFTs.

FUMBI

Quarterly Update of Fumbi Products

At the beginning of June, Fumbi undertook a regular update of our products, during which we added new assets and removed those that do not currently meet our formal criteria. Regular updates are a very important and necessary process for us to keep our products up to date and in line with current trends.

The basis of our regular quarterly updates is an adjustment of our Fumbi Index Portfolio. This product is popular among investors for its simplicity and efficiency, as it follows the evolution of the market itself. As part of the update, we added the cryptocurrency Arbitrum (ARB) to the Fumbi Index Portfolio and removed the cryptocurrency Flow (FLOW) as it no longer met the market capitalization criterion.

Furthermore, we have also prepared changes for the Advanced Portfolios product, which allows our users to create their own diversified cryptocurrency portfolios or choose one of Fumbi's pre-made templates. We have added 5 new assets to the Advanced Portfolios product that our clients can choose from when creating their own portfolios. The added assets include:

- Arbitrum (ARB)
- Render Token (RNDR)
- Sui Network (SUI)
- Shiba Inu (SHIB)
- Injective (INJ)

Fumbi Webinars - an Opportunity to Learn More About Cryptocurrencies

In April, we created and live-streamed our first-ever Fumbi webinar focused on what happened to the cryptocurrency market in 2022 and why we think crypto has a great future ahead. At Fumbi, we believe that it is very important to educate the public about cryptocurrencies and bring people verified and relevant information.

At the beginning of June, we presented two very interesting topics to the public and our clients in our second webinar: crypto-fraud and the upcoming MiCA regulation. The first part of the webinar focused on the most common crypto scams and ways to avoid them. The second part of the webinar focused on the incoming MiCA regulation, which will improve and make the crypto industry more transparent within the European Union while addressing some of the existing crypto-fraud threats.

Over the next few months, we plan to hold several more webinars that will focus on very interesting and topical topics from the world of cryptocurrencies. Don't miss them and keep an eye on our social networks to learn more about upcoming webinars.

Fumbi Has 120,000 Users!

Since our inception in 2018, we have become a leader in cryptocurrency investing in Slovakia and have gradually expanded to neighboring markets. Fumbi is trusted by more than 120 thousand users who invest in cryptocurrencies with us easily and safely.

Since our inception, Fumbi has moved forward by leaps and bounds. We've created several new products, including [Staking Portfolios](#) and [Advanced Portfolios](#), introduced a mail-in payment option, launched our own mobile app, and created an educational academy for the general public.

We at Fumbi are very proud of all that we have been able to build over the years. But of course, we couldn't have done it without you - our clients, who are the motivation for us to continuously improve and perfect our products and services. Therefore, we would like to thank you for your trust and interest in our services so far. We believe that Fumbi will continue to be your guide and reliable partner when investing in cryptocurrencies.

INVEST IN CRYPTOCURRENCIES WITH FUMBI

Take advantage of the potential of cryptocurrencies and invest with us simply, safely, efficiently and in a few clicks. We bring crypto to the general public with just a small deposit, and in a way that minimizes all possible risks. As of 2018, over 120,000 users have already relied on us. **You can invest from as little as €50.**

Fumbi Product Portfolio

- Fumbi Index Portfolio**
Our most popular product, the Fumbi Index Portfolio, currently consists of over 20 top proven cryptocurrencies. The sophisticated Fumbi Algorithm within it tracks the growth of the entire cryptocurrency market.
- Advanced Portfolios**
Creating portfolios is now easier. With Advanced Portfolios, you'll have access to over 50 cryptocurrencies and templates created by our team that focus on different areas within the world of crypto. In addition, you'll be able to build custom portfolios with different ratios of cryptocurrencies that match your investment strategy.
- Staking Portfolio**
In the Staking Portfolio, you will find 10 cryptocurrencies that we will stake for you. These cryptocurrencies have a lower market capitalization than Bitcoin and, therefore, can be more volatile. However, with higher risk comes the possibility of higher
- Fumbi Custom**
With Custom, we bring everyone the opportunity to invest in the cryptocurrency of their choice. Choose your preferred cryptocurrency and invest in it easily, conveniently and safely.
- Bitcoin and Gold**
Fumbi's unique Bitcoin and Gold product tracks the value of Bitcoin and the PAX Gold cryptocurrency, which is backed by real gold. The algorithm splits your finances in a 50:50 ratio. It intelligently buys up the cryptocurrency that has fallen and sells the one that has risen. This combination makes it easy and stress-free to save for your future.
- Fumbi Business**
Valuate your company's assets safely with the first company in Slovakia to bring a sophisticated cryptocurrency investment tool to legal entities.
- Employee Program**
Through Fumbi, you can bring a unique benefit to your company's employees - they can automatically receive a portion of their paycheck in the form of crypto to their own secure Fumbi account. Your employees choose what portion of their paycheck they will receive in the form of cryptocurrency in the Fumbi Index Portfolio product. Thanks to you, they won't have to make deposits, and the amount will be credited to their account automatically every month.
- Custody**
Have you purchased cryptocurrencies and wonder how to store them as safely as possible? Take advantage of a first-class cryptocurrency safekeeping option with Fumbi. We work with market leaders to keep your crypto safe at all times.

www.fumbi.network